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### **A healthy bond**

SIR—I heartily concur with your leader and article advocating index-linked bonds (May 27th). But governments should not fear that they would lose every means to manipulate the bargain. The first means is taxation of capital gains, unless these are also indexed for tax purposes. Another is the technical calculation of the inflator—unless a party other than government is entrusted with that calculation.

All that notwithstanding, much would be learned from the markets' assessment of the inflation risk premium. That judgment is probably widely dispersed, so that substantial capital should be forthcoming at very low real interest rates. Given these virtues, one wonders how many governments are perhaps deterred by precise measures of investors' scepticism about the stability of their currencies.

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